

**THE CHANCERY COURT FOR LEWIS COUNTY
AT HOHENWALD, TENNESSEE**

IN RE:)
)
SENTINEL TRUST COMPANY) NO. 4781
)
)

**SENTINEL TRUST RECEIVER'S MOTION FOR APPROVAL OF SALE OF
SENTINEL TRUST BELLEVUE, TENNESSEE PROPERTY AND TO CERTIFY
ORDER APPROVING SALE AS FINAL PURSUANT TO RULE 54.02 TENN.R.CIV.P.**

I. INTRODUCTION

The Sentinel Trust Receiver moves the Court for approval of the sale of a Bellevue, Davidson County, Tennessee office condominium property, located at 8122 Sawyer Brown Road, owned by Sentinel Trust Company ("Bellevue Property"). Approval of the Court is sought pursuant to T.C.A. § 45-2-1504(a) which states that:

In liquidating a [trust company], the commissioner may exercise any power of the office of commissioner but shall not, without approval of the court in which the notice of possession has been filed:

- (1) Sell any asset of the organization having a value in excess of five hundred dollars (\$500.00).

**II. PROPOSED PURCHASE PRICE AND RELEVANT
FACTS CONCERNING THE BELLEVUE PROPERTY**

The Contract for Sale of Real Estate for the Bellevue Property, dated April 7, 2005, is attached as **Exhibit A**. The proposed purchaser is CDP Properties, LLC, a Tennessee limited liability company located at 2300 21st Avenue South, Suite 202, Nashville, Tennessee 37212. The purchaser wants to purchase the office condominium to relocate its business to that location. The proposed purchase price is \$320,000, which is the full list price of the property as placed on

the market by Shirley Zeitlin & Company Realtors. See Affidavit of Shirley Zeitlin at ¶ 4, attached as **Exhibit B** (hereinafter “Zeitlin Affidavit”).

The Bellevue Property was placed on the market in November 2004 and, thus, has been on the market for six months. The first four and one-half months yielded very little interest and no offers whatsoever. Over the past forty-five days, an offer was tendered prior to receipt of the current offer. That offer was presented on March 21, 2005, and the purchase price was established at \$305,000. That potential sale was never finalized sufficiently to bring to the Court for approval because the proffered use of the property (a dance studio) was vetoed by the condominium association, as was their right to do under that association’s by-laws. Id. at ¶ 7.

In 2002, well prior to the institution of the Sentinel Trust receivership, former management of Sentinel Trust had placed the Bellevue Property on the market for sale. It is the understanding of the Sentinel Trust Receiver that, at that time, the Bellevue Property was listed at \$425,000. Affidavit of Jeanne Barnes Bryant at ¶ 6, attached at **Exhibit C** (hereinafter “Bryant Affidavit”).

As set forth through the Zeitlin Affidavit, based upon various factors, including comparable sales, comparable square footage values, property condition, overall location and quality of condominium development, as well as the general market in that area, the \$320,000 list price for the Bellevue Property was a fair, reasonable and competitive price. Zeitlin Affidavit at ¶¶ 5-6. Moreover, the price previously set by former Sentinel Trust management of \$425,000, and, indeed, any price materially higher than the \$320,000, would be, in Ms. Zeitlin’s opinion, too aggressive to have attracted any attention in the current market. Id. at ¶ 9. Indeed, the fact that the two offers received on the property were in the same general price range, further demonstrates that that list price was at the correct level for the property and the market. Id. at ¶ 10. Finally, Ms. Zeitlin states in her affidavit that, had the property remained on the market for

any additional significant period of time, the value of the Bellevue Property would likely not have increased and would probably have decreased. Id. at ¶11. .

The Bellevue Property was once the main office of Sentinel Trust Company. It was an operating office of that company at the time of the May 18, 2004 institution of the receivership. All documents and Sentinel Trust records have been moved from that location, and it is unoccupied. The expenses of upkeep, condominium association and other monthly charges are ongoing expenses to the Sentinel Trust receivership (in the approximate aggregate amount of \$1,000/month). Bryant Affidavit at ¶¶ 3-5. Those expenses would cease upon the sale of the Bellevue Property.

At present, the purchaser, CDP Properties, LLC, has notified the Receiver that it has completed its due diligence/inspection efforts and has removed all purchaser contingencies under the sale contract. **Exhibit D.** All that remains as a contingency to closing is obtaining the Court's approval of the sale.

III. ARGUMENT IN FAVOR OF APPROVAL OF SALE OF BELLEVUE PROPERTY

a) Authority of Court to Approve Sale

As noted earlier, T.C.A. § 45-2-1504(a) specifically requires court approval of the sale of a Sentinel Trust asset with a value of over \$500. There is no doubt that the Bellevue Property is titled in the name of Sentinel Trust Company and that it is a Sentinel Trust Company corporate asset.¹ As such, the sale of the Bellevue Property requires approval of this Court. T.C.A.

¹ Indeed, at a hearing before this Court on July 12, 2004, present counsel for Mr. Danny Bates -- Donald Schwendimann -- stated in open court that the Bellevue Property was a Sentinel Trust asset, the revenues from which could be used to pay for receivership expenses:

Mr. Schwendimann: . . . The company has two unencumbered office buildings, one here [in Lewis County] and one in Davidson County [the Bellevue Property]. And that's money that the Receiver should be using, money from -- that would be secured by unencumbered assets of Sentinel Trust.

See Exhibit E, portions of July 12, 2004 Hearing Transcript, at p. 38, lines 19-22.

§ 45-2-1504(a). Moreover, and as is apparent from the Contract for Sale of Real Estate, the closing of the sale is contingent upon gaining court approval. **Exhibit A** at Sec. 15. Accordingly, the Sentinel Trust Receiver asserts that this Court has the authority to enter an order approving the proposed sale and that, without such an order, the sale will not occur.

b) Court Should Approve Sale

For all of the reasons set forth previously in this motion, the proposed sale of the Bellevue Property should be approved. The \$320,000 purchase price is fair. The ongoing and recurring costs of upkeep and related expenses would be saved. It is a Sentinel Trust asset which, through the ongoing liquidation process, should be liquidated.

Former Sentinel Trust management may object to the sale of the Bellevue Property, but if such occurs, the objections would likely be disingenuous due to one simple reason. Back in May 2004, just prior to the institution of the receivership, the former management of Sentinel Trust was proposing to the Commissioner that the Bellevue office be shut down and that the Bellevue Property be sold as a means to save costs and streamline operations. See Exhibit F (May 15, 2004 Memorandum from Miller & Martin, who was then counsel to the former Sentinel Trust management, to Tina Miller, counsel to the Commissioner) at Sec. I.A. Moreover, as Mr. Schwendimann stated at the July 12, 2004 hearing, the buildings are assets of Sentinel Trust and are available to provide funds upon which to operate the receivership.

Accordingly, objections along these lines from the former Sentinel Trust management should be for naught, and the proposed sale, as evidenced by the terms set forth in **Exhibit A**, should be approved.

IV. DISPOSITION OF SALE PROCEEDS

The proceeds of the sale will be treated by the Sentinel Trust Receiver as a Sentinel Trust Company asset. As such, under T.C.A. § 45-2-1502(f), those proceeds can be, and might well

be, used to defray the costs of this receivership. To the extent that funds from the sale of the Bellevue Property remain at the closure of this receivership, the Receiver intends to request that the Court allow the transfer of those remaining funds to assist in addressing the shortfall in the Pooled Fiduciary Account/to be used to pay the claimants to the shortfall in the Pooled Fiduciary Account.

**V. REQUEST TO CERTIFY ANY ORDER APPROVING
SALE AS FINAL PURSUANT TO RULE 54.02 TENN.R.CIV.P.**

As noted in the Contract for Sale of Real Estate, a contingency to the sale is that the Court order approving the sale be a final, non-appealable order. **Exhibit A** at Sec. 15. In order to render an approval of the sale of the Bellevue Property as final and non-appealable, a Rule 54.02 Tenn.R.Civ.P. certification by this Court is needed.

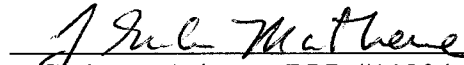
The Sentinel Trust Receiver's request for a Rule 54.02 certification of final order is not merely a superfluous procedural request. Rather, the Sentinel Trust Receiver has been informed that in order to gain a clean title insurance policy, which will be a requirement of closing, the needed approval order must be final -- which, of course, makes sense because no title company would issue such a policy if the specter of an appeal of an order approving the sale remained.

To that end, the Sentinel Trust Receiver requests that, if the Court enters an order approving the sale of the Bellevue Property to CDP Properties based on the terms set forth in **Exhibit A** hereto, then the Court is also requested to make the express determination that there is no just reason to delay that order from becoming final and to further expressly direct the Clerk & Master to enter the order as a final order. Rule 54.02 Tenn.R.Civ.P.

VI. CONCLUSION

For the reasons stated herein, the Sentinel Trust Receiver requests that the Court grant this motion and enter an order consistent with the relief requested herein.

Respectfully submitted,



J. Graham Matherne, BPR #11294
Wyatt, Tarrant & Combs, LLP
2525 West End Avenue, Suite 1500
Nashville, TN 37203-1423
(615) 244-0020

*Counsel for Jeanne Barnes Bryant and Receivership
Management, Inc., Receiver of Sentinel Company,
in Liquidation*

**IT IS ANTICIPATED THAT THIS MOTION WILL BE SET FOR HEARING
BEFORE THE COURT IN HOHENWALD, LEWIS COUNTY, TENNESSEE
ON MONDAY, MAY 9, 2005 AT 9:00 A.M.**

CERTIFICATE OF SERVICE

This is to certify that on May 23rd, 2005 a copy of the foregoing Motion including Exhibits has been sent by First Class U.S. Mail, postage paid, to:

Janet M. Kleinfelter
Office of the Attorney General
Financial Division
425 5th Avenue North
P.O. Box 20207
Nashville, TN 37243

Carrol Kilgore
Branstetter, Kilgore, Stranch & Jennings
227 Second Avenue North
4th Floor
Nashville, TN 37201

Donald Schwendimann
306 W. Main Street
P.O. Box 366
Hohenwald, TN 38462

Larry Stewart
Stokes, Bartholomew, Evans & Petree
424 Church Street, Suite 2800
Nashville, TN 37219

David D. Peluso
106 East Main Street
Hohenwald, TN 38462

James S. Hereford, Jr.
310 W. College Street
P.O. Box 802
Fayetteville, TN 37334-0802

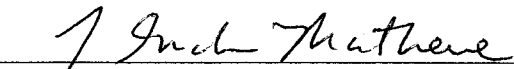
William B. Hubbard
Weed, Hubbard, Berry & Doughty
SunTrust Bank Bldg., Suite 1420
201 Fourth Avenue North
Nashville, TN 37219

Diana M. Thimmig
Roetzel & Andress
1375 East Ninth Street
One Cleveland Center, Ninth Floor
Cleveland, OH 44114

James S. Chase
John A. Decker
Hunton & Williams LLP
900 South Gay Street, Suite 2000
P.O. Box 951
Knoxville, TN 37901

CDP Properties, LLC
2300 21st Avenue South, Suite 202
Nashville, TN 37212-4927

Community Development Partners, LLC
2300 21st Avenue South, Suite 202
Nashville, TN 37212-4927



J. Graham Matherne

CONTRACT FOR SALE OF REAL ESTATE

This Contract for Sale of Real Estate (the "Contract") is made and entered into on this the 7th day of April, 2005, by and between SENTINEL TRUST COMPANY, acting through Receivership Management, Inc. as its receiver (hereinafter called the "Seller"); and CDP PROPERTIES, LLC, and its assigns (hereinafter called the "Buyer"), whose address is 2300 21st Avenue south, Suite 202, Nashville, Tennessee 37212.

WITNESSETH:

WHEREAS, Seller is the owner of real property known as 8122 Sawyer Brown Road, Nashville, Tennessee 37211 (hereinafter the "Property"); and

NOW, THEREFORE, in consideration of the foregoing premises, and for other valuable consideration, the receipt and sufficiency of which are acknowledged, it is agreed as follows:

1. **Purchase Price and Earnest Money.** Buyer agrees to purchase the Property for the purchase price of Three Hundred Twenty Thousand and No/100 Dollars (\$320,000.00) representing the purchase price of the Property, and hereby deposits in escrow Colliers, Tulley, Martin and Tucker the amount of Five Thousand and NO/100 Dollars (\$5,000.00) as earnest money to constitute partial payment of the purchase price, with the remainder of the purchase price being payable in cash or certified funds to Seller at closing.
2. **Contract to Sell the Property to Buyer.** Seller, in consideration of the earnest money deposit and the payment in full of the remaining portion of the purchase price, does hereby agree to convey the interest that the Seller has a right to convey by Quitclaim Deed to Buyer, or such assigns as Buyer may designate in writing, subject to the terms and conditions herein.
3. **Buyer's Due Diligence.** Buyer shall have forty-five (45) calendar days within which to inspect the condition of the Property and determine its suitability for Buyer's use. If the

Error! Unknown document property name-Error! Unknown document property name.

EXHIBIT**A**

Property is determined to be unsuitable for Buyer for any reason, then Buyer may cancel this Contract by notifying Seller in writing, postmarked no later than forty-five (45) calendar days from the Effective Date hereof, as hereinafter defined. In those circumstances, Seller shall be entitled to retain the earnest money, but Buyer shall have no further obligations hereunder.

4. **Effective Date.** The effective date of this Contract shall be the date of its execution, as set forth above.

5. **Closing Date.** The sale of the Property must close within sixty (60) calendar days from the Effective Date, as defined above (hereinafter the "Closing Date"). The closing shall be at the offices of Seller's attorneys, Wyatt, Tarrant, & Combs, LLP, 2525 West End Avenue, Suite 1500, Nashville, Tennessee 37203.

6. **Seller's Obligations.** Seller shall have the following obligations in preparation for the closing of the sale of the Property:

- a. Within ten (10) calendar days of the Effective Date, Seller shall order a title insurance commitment for a standard form owner's title policy, insuring Buyer's fee simple interest in the Property to the extent of the purchase price. This binder shall be obtained at Seller's expense. If the title commitment contains exceptions that are not customary and are reasonably unacceptable to Buyer, then within three (3) days after Buyer's receipt of the title commitment, Buyer may cancel this Contract and Buyer shall have no further obligations under this Contract. If Buyer does not object to the title commitment within three (3) calendar days of its receipt, then the condition of title shall be deemed acceptable to Buyer. Seller

shall then proceed to cause an owner's title policy to be issued for Buyer at Seller's expense.

- b. Seller shall provide to Buyer any environmental, engineering, other physical reports, surveys, etc. within Seller's possession, but Seller shall have no obligation to cause new reports of the nature indicated above to be produced. Any such information available to Seller must be provided to Buyer within ten (10) calendar days of the Effective Date.
- c. Seller shall, at Seller's expense, prepare all sale documents necessary to consummate the sale of the Property.

7. **Survey.** Buyer may obtain a new survey of the Property at Buyer's expense, but Seller shall not be obligated to obtain a new survey of the Property.

8. **Closing Expenses.** The following closing expenses shall be handled as indicated:

- a. All legal expenses associated with preparing the deed and other closing documents shall be borne by the Seller.
- b. All recording fees and transfer taxes associated with the deed shall be paid by the Buyer.
- c. The title search and title commitment shall be paid by the Seller.
- d. Any new survey shall be the Buyer's expense.
- e. All real estate taxes for prior years shall be borne by the Seller. Real estate taxes for the current year shall be prorated between the Seller and the Buyer as of the Closing Date.
- f. If Buyer is represented by legal counsel, then Buyer shall be responsible for all of its own legal fees and expenses.

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g. Any release fees associated with existing liens on the property shall be an expense of the Seller.

9. **Personal Property.** No personal property is being sold in connection with the Property.

10. **Risk of Loss.** Seller shall bear the risk of loss concerning the Property up until the Closing Date. On and after the Closing Date, Buyer shall bear all risk of loss.

11. **Casualty Insurance.** Any casualty insurance on the Property will be cancelled by the Seller as of the Closing Date. Buyer shall be responsible for obtaining its own insurance on the Property.

12. **Income Tax Consequences.** Each party shall be responsible for determining and paying their own income taxes resulting from the sale of the Property.

13. **Condition of Title.** It is understood that Seller is conveying the Property by Quitclaim Deed, making no warranties or representations concerning the condition of title. Buyer will need to rely upon the title insurance policy in this regard.

14. **Real Estate Commissions.** At the closing, Seller agrees to pay Colliers Turley Martin Tucker Company a real estate sales commission of three percent (3%) of the purchase price. Buyer and Seller warrant to each other that no other real estate agent is involved in this transaction.

15. **Contingent on Court Approval.** The sale of the Property is contingent upon gaining approval of the sale, through a final, non-appealed order issued from the Lewis County, Tennessee Chancery Court in the case In re: Sentinel Trust Company #4781.

16. Default and Remedies. A breach of any provision in this Contract shall be considered a default, with all terms being considered material and time being considered of the essence.

- a. In the event of a breach of this Contract by Seller, Seller shall be obligated to return the earnest money paid by Buyer, and Buyer shall be entitled to pursue any other remedies available at law and equity, including specific performance.
- b. In the event of a default by Buyer under the Contract, Seller may retain all earnest money paid by Buyer and also seek all remedies available to Seller under law and equity, including specific performance.
- c. In the event it becomes necessary to enforce the provisions of this Contract, the non-breaching party is entitled to recover all reasonable legal fees and expenses incurred against the breaching party.

17. CONDITION OF THE PROPERTY. AS TO THE CONDITION OF THE PROPERTY, IT IS SOLD AS AN "AS IS" BASIS, WITHOUT WARRANTY OR REPRESENTATION WHATSOEVER.

18. Miscellaneous Provisions. Time is of the essence of this Contract and all conditions thereof. Jurisdiction and venue concerning any disputes pertaining to this Contract lie around the state and federal counties located in or having jurisdiction over Davidson County, Tennessee. Tennessee law controls the execution, interpretation and enforcement of this Contract. All prior discussion and agreements pertaining to the subject matter herein are merged into this Contract by reference. This Contract may not be amended except in writing signed by all parties hereto. If any provision in this Contract is declared void by a court of competent

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jurisdiction, it shall be considered severed and all remaining provisions remain in full force and effect.

Executed as of the date set forth above.

SENTINEL TRUST COMPANY, by Receivership
Management, Inc. as its Receiver ("Seller")

By: James B. BryantPrint Name: James B. BryantTitle: ReceiverDate: 4-7-05

CDP PROPERTIES, LLC ("Buyer")

By: William Frank Sanders, Jr.Print Name: William Frank Sanders, Jr.Title: CEODate: 4/6/05

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COMMUNITY DEVELOPMENT PARTNERS, LLC

P.O. BOX 121667
NASHVILLE, TN 37212
PH 615-368-0222

AMERICAN BANK
NASHVILLE, TN
615-368-0222

PAY TO THE ORDER OF Collins T. Kelly Martin Tucker

Five thousand dollars and no

\$ 5,000.00

3-20-05

2453

DOLLARS 0

MEMO

#002493# #084000017# 1001152457#

[Handwritten Signature]

**IN THE CHANCERY COURT OF LEWIS COUNTY
AT HOHENWALD, TENNESSEE**

IN RE: SENTINEL TRUST COMPANY)
) **Case No. 4781**
)
)

AFFIDAVIT OF SHIRLEY ZEITLIN

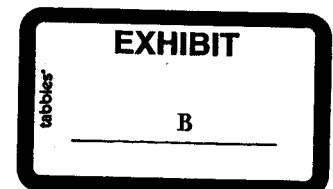
Having been duly sworn, I, Shirley Zeitlin, do attest to the following:

- 1) I am of majority age and have personal knowledge of the contents of this affidavit and have basis for the statements of opinion stated herein.

- 2) I reside in Davidson County, Tennessee. I have been a licensed real estate broker and have been involved in the sale and purchase of both residential and commercial real estate in Nashville and the Middle Tennessee area since 1969. I am the owner of Shirley Zeitlin & Company Realtors.

- 3) Shirley Zeitlin & Company Realtors contracted with Receivership Management, Inc., as Receiver to Sentinel Trust Company, to be listing agent for an office condominium property located at 8122 Sawyer Brown Road in the Bellevue region of Nashville, Davidson County, Tennessee ("Bellevue Property").

- 4) I was responsible for recommending to Receivership Management, Inc. an appropriate list price for the Bellevue Property. The recommended list price I provided was \$320,000.



5) The \$320,000 was presented for numerous reasons. I obtained comparables of sales of similarly situated property in the area to obtain information regarding square footage ranges. I took into account the fact that extensive renovations would be required. I considered that the building itself was of average quality with somewhat difficult road access and visibility and that the general, overall development and location were average. Based on these considerations, and based on the years of experience that I have had in selling real estate situated similarly to the Bellevue Property, I recommended a list price of \$320,000.

6) In my opinion, the \$320,000 list price was a fair, reasonable and competitive price for the Bellevue Property. I did not price the property "to sell." Rather, the list price was one that I felt would create reasonable interest in the market.

7) My company listed the Bellevue Property for sale starting in November 2004. There was very little interest shown in the property from that time until the March 2005 timeframe. On March 21, 2005 a price of \$305,000 was agreed to as between a purchaser and Receivership Management, Inc. The proposed use of the property -- a dance studio -- was vetoed, however, by the condominium development association. Contemporaneous with that offer and ultimate veto by the condominium association, the present buyer CDP Properties, LLC presented a full list price offer of \$320,000.

8) A sale contract at that price was signed on April 7, 2005.

9) I understand that, back in 2004, this property was placed on the market at a list price of \$425,000. From what I know about the property's condition and location, and based on my experience in this area, it is my opinion that a list price of \$425,000 would be too aggressive in the present market and would result in no purchaser interest whatsoever. I would also say that

a list price significantly greater than the \$320,000 would likely meet with little purchaser interest.

10) I would also observe that the relative "closeness" of the two offers (the \$320,000 and the \$305,000 offers) strongly indicates that the list price was in the appropriate range for the property.

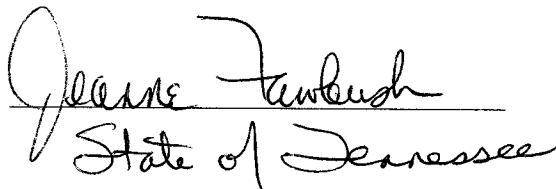
11) Based on my experience, it has been my observation that after an initial period on the market (which in my opinion this property close to eclipsing), the longer a property stays on the market, the less likely it is that the property value will appreciate and the more likely it is that the property value will decrease. Therefore, I do not believe that keeping the Bellevue Property on the market for an additional six to twelve months would have resulted in an increase in interest regarding the property and/or its value (absent extensive renovations, the cost of which could have been difficult to recoup dollar for dollar through price increase). Indeed, it would be my expectation that keeping the property on the market would have resulted in a decrease in the purchase price for the property.

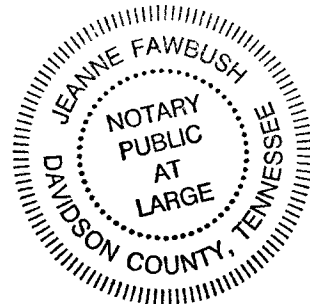
Further Affiant Sayeth Not.



SHIRLEY ZEITLIN

Sworn to and subscribed before me,
this 2nd day of May, 2005.


State of Tennessee



Notary Public

My Commission Expires: 1/24/2009

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**IN THE CHANCERY COURT OF LEWIS COUNTY
AT HOHENWALD, TENNESSEE**

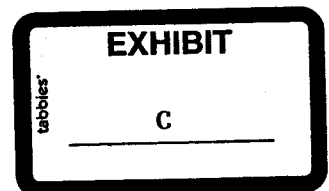
IN RE: SENTINEL TRUST COMPANY

)
) **Case No. 4781**
)
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AFFIDAVIT OF JEANNE B. BRYANT

Having been duly sworn, I, Jeanne B. Bryant, do attest to the following:

- 1) I am of majority age and have personal knowledge of the contents of this affidavit.
- 2) I am President of Receivership Management, Inc., the appointed Receiver of Sentinel Trust Company.
- 3) The Sentinel Trust Company office condominium located in Bellevue, Davidson County, Tennessee (8122 Sawyer Brown Road) had been the company's principal office and was an operating office of the company at the time of the May 2004 institution of the Sentinel Trust receivership.
- 4) All of the documents and Sentinel Trust records that were located at that office have been moved, and, since approximately mid-February 2005, that office has been unoccupied.
- 5) I would estimate that the expenses of upkeep, association dues and other expenses incurred monthly at that office amount to approximately \$1000.

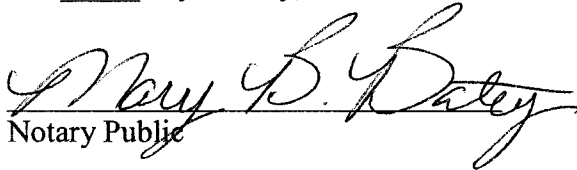


6) I have been told that the Bellevue office had been placed on the market for \$425,000 back in 2002. It is my understanding that there was no interest shown in the property, or at least none that resulted in an offer or sales contract.

Further Affiant Sayeth Not:


JEANNE B. BRYANT

Sworn to and subscribed before me,
this 2 day of May, 2005.


Notary Public

My Commission Expires: 5-19-07

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P. 02

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SHIRLEY ZEITLIN

Apr 29 2005 10:56

P. 02

**CONTINGENCY RELEASE**Contract Date: 4/7/2005Property: 8122 Sawyer Brown Rd, Nashville, TN 37211Seller(s): Sentinel Trust Company Through Receivership Management, Inc.Buyer(s): CDP Properties, LLC

The following contingency regarding the agreement to purchase the above referenced property is hereby released:

Buyer rescinds its remaining due diligence period granted in the sales contract. Buyer rescinds any other contingency related to the sales contract in order to proceed to closing under the terms of the agreement.

CDP Properties, LLC

William Evan Sanders, Jr.

Buyer: William Evan Sanders, Jr.

Buyer

Seller: June Bryant

Seller

Seller

Date: 4/29/05

Date:

EXHIBIT

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IN THE CIRCUIT COURT OF LEWIS COUNTY
AT HOHENWALD, TENNESSEE

)
In Re: Sentinel Trust Company) Case No. 4781
)

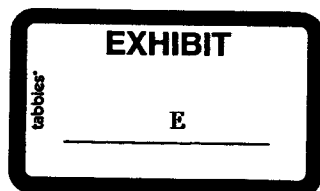
July 12, 2004
Lewis County Courthouse
Hohenwald, TN

The above-entitled matter came on for hearing
at 9:00 o'clock, before:

THE HONORABLE ROBERT E. LEE DAVIES
Circuit Court Judge

ANDERSON Court REPORTING
Route 1, Box 254B1
Linden, TN 37096
(O) 931.589.3839
(F) 931.589.2778
E-mail: Stephensharo@aol.com

2004



Sentinel Trust- Circuit Ct. #4781 - July 12,

1 these small amount of private trusts and make the
2 corporate fiduciary assets pay for this administration.
3 And that -- they didn't understand that.

4 And so on Friday afternoon they asked me to come
5 down here and ask Your Honor to have the opportunity to
6 take that discovery and find the facts and see if there
7 was a reason for arguing about whether or not this a
8 fiduciary asset or not.

9 JUDGE DAVIES: Okay.

10 MR. STEWART: Thank you.

11 MR. SCHWENDIMANN: I want to follow up what Mr.
12 Stewart said, Your Honor, with this suggestion. I took to
13 heart, and I hope the court did, his suggestion that these
14 fees that are coming in now may have a fiduciary aspect to
15 them.

16 And there's a solution to this. And that is for
17 the Commissioner to borrow against the assets of Sentinel
18 Trust for operating funds. It's authorized by statute.
19 The company has two unencumbered office buildings, one
20 here and one in Davidson County. And that's the money
21 that the Receiver should be using, money from -- that
22 would be secured by unencumbered assets of Sentinel Trust.

23 And as Mr. Stewart pointed out, let's
24 investigate the nature of these fees that are coming in.

**PRIVILEGED AND CONFIDENTIAL**

MEMORANDUM

TO: Tina Miller, Esq.
FROM: Mary Neil Price
RE: Sentinel Trust Company
DATE: May 15, 2004

The purpose of this memo is to outline for you the talking points for our meeting Monday morning. Overall, the purpose of the meeting is to bring the Department up to date on the progress we have made since undertaking representation of Sentinel.

L Reduction in Operating Expenses. In order to improve Sentinel's financial condition and to maximize funds available to repay any deficits in any defaulted trust accounts for which funds are not available from other sources, the following steps have been taken:

A. With the Commissioner's approval, Sentinel would like to shut down its Bellevue office and consolidating its operations at the existing Hohenwald location. When this has been accomplished, the Bellevue property can be either sold or leased and turned into an earning asset for Sentinel. The property has a tax assessment value of \$291,000, but is believed to be worth \$425,000. Only two employees and a receptionist currently work at the Bellevue location. Most of the operations are already conducted from Hohenwald.

Paul Williams, who lives in Hendersonville, is EVP Corporate Trust Administration and will not commute to Hohenwald. Paul handles the corporate trust accounts that are not in default. Sentinel believes that Paul's responsibilities can be absorbed by existing personnel in Hohenwald (Mike Salvucci and Todd Bates) and that his \$104,000 per year salary

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expense can be eliminated. Mr. Williams termination is on hold pending approval from the Commission, and we reiterate our request to go ahead with that.

Other expenses that will be eliminated by closing down Bellevue include elimination of a receptionist, clerical and other office expenses as well as elimination of the special computer line between the Bellevue and Hohenwald offices.

Overall annual cost savings associated with consolidating operations in Hohenwald is estimated to be \$205,000 including expenses associated with Mr. Williams' salary.

B. James A. Skinner formerly acted as an independent contractor handling the defaulted corporate bond issues and was the primary contact with Sentinel's former counsel, Waller Lansden. Mr. Skinner has colon cancer and is scheduled for surgery next week. Under the current circumstances, we did not feel like matters involving the defaulted bond issues could be put on hold while Mr. Skinner recovered. That, together with his close ties to the Waller firm, and his expressed disinclination to work with anybody else, led to the decision to terminate his contract and to transition his responsibilities to myself. I have met with Mr. Skinner and obtained a summary of each of the eighteen defaulted bond issues he was handling on behalf of Sentinel. His computer files have been transferred to me, and a system has been set up where his incoming Sentinel e-mails automatically come to me. From 1/1/2000 through 12/31/03 Mr. Skinner received \$1,188,117.85 from Sentinel. From 1/1/2004-4/15/2004 he received \$98,080.87 for a total of \$1,286,182.76.

While termination of Mr. Skinner's contract is not a total cost saving to Sentinel, because of the cost of Miller & Martin handling this function, it is felt that consolidation of the legal and work out side of the defaulted bond issues, together with the overall more practical approach to workouts will effect significant cost savings. Waller Lansden was paid \$2,941,330.69 from

1/1/200-12/31/2000 and \$229,844.60 from 1/1/2004-4/1/04 for total of \$3,171,175.38. This does not include attorneys fees that were paid directly out of a bankrupt estate. For example, in the Ray and Ross Transport bankruptcy (sometimes called the Namor litigation), other counsel involved in the litigation has represented that approximately \$1.2 million in attorneys fees were collected from the bankrupt estate of which approximately \$800,000 was paid to Waller Lansden for their work in representing Sentinel. Waller Lansden resigned from representation of Sentinel. All matters they were handling are being transitioned to Miller & Martin. We do not yet know how much Waller will claim in legal fees for past services or for which bond issues or litigation matters they might relate.

II. Acceleration of Collection of Advanced Expenses on Defaulted Bond Issues.

Sentinel has advanced significant expenses on behalf of a number of defaulted bond issues. Based upon our investigation to date, it appears that most of these expenses were for the payment of legal fees incurred in pursuing claims against issuers and other parties involved in the defaulted bond issues. In some instances, these claims were pursued and monies expended whether or not there were sufficient funds or other collateral to fund the expenses. It appears that Sentinel was led to believe by its former counsel that even where there were not sufficient funds or other collateral to fund the expenses, Sentinel had no choice but to pursue such claims in order to avoid liability to the bondholders. Whether or not Sentinel's former counsel advised them or were aware of the source of funds expended is not known at this time.

The following is a synopsis of progress to date in collecting the funds advanced:

- 1.) Greenville, Washington County, Mississippi (\$464,713.01)

This was a bond issue for low income housing in a very economically depressed area. Considerable legal and other expenses have been incurred since the issuer went into default as the result of two failed tax sales and litigation with the insurance company when the pipes burst and flooded the facility. There is

pending litigation against the architect and the contractor as well as pending tax claims which will be transferred to the purchaser at closing.

The sale of the facility is expected to close on Monday , May 17 for \$150,000, plus the buyer's assumption of outstanding tax liability. Sentinel expects to collect \$150,000 plus an addition \$60,000.00 currently held by the Receiver less closing costs, leaving a deficit to be made up of approximately \$255,000.

2.) Lee County, Alabama

This was a bond issue used to finance a peanut butter factory . Expenses advanced to date are approximately \$571,547. The property has been sold and the amount of \$966,341.76 is currently being held by the receiver. Once all other claimants (mainly vendors) have been paid, Sentinel expects to receive the balance. Authority was given to local counsel this week to settle the last remaining competing claim, and Sentinel expects to receive \$630,217.94 within the next thirty days, of which approximately \$600,000 will be net to Sentinel.

3.) Jefferson County, Arkansas

This was a bond issue to finance a nursing home in Pine Bluff Arkansas. Costs advanced to date total about \$500,000. \$50,000 is being held by a Title Company for a sale that fell through and should be released. Another contract to sell the property for \$1,100,000 is pending and will be backed by a letter of credit for the entire purchase price. Sentinel believes that the entire deficit will be made up from the proceeds of this sale which is expected to close within 90 days.

4.) Hernando County, Florida

5.) Ft. Pierce, Florida

These two bond issues are being administered jointly. Expenses advanced to date total approximately \$1,075,000 on the two. While contact has been made with counsel, no action has been taken. At least with respect to the Hernando property (which accounts for about \$750,000 of the advanced expenses) the appraised value of the property is \$2 million which would indicate that the collateral will be sufficient to cover the amounts advanced. At this point, we don't have adequate information to predict whether there will be an ultimate deficit and if so how much.

6.) Rusk-Texas Choice

Expenses advanced total \$68,005.70. No further information is known at this time, but this may be a total loss.

7.) Tarrant County, TX Doctors Hospital

Expenses advanced total \$605,312.83. Sale of the property is pending at \$2,300,000. We don't yet know when this might close, but it appears that the purchase price will be sufficient to cover all advanced expenses.

8.) Jose Eber Salons

\$131,708.23 advanced to date. We have not yet looked into this, but it appears that these expenses may or may not be recoverable.

In addition, \$385,000 was recently released in connection with the Pearsall (Texas) bonds, an account which is not in a deficit position.

III. Unallocated shortfall in the Pooled Fiduciary Account

There were also considerable amounts advanced pursuing claims involving SunHealth and Namor, representing twenty-nine (29) defaulted bond issues which have already been closed out or reworked. With respect to the SunHealth issue funds amounting to \$1,841,515.10 were advanced and Sentinel was issued stock currently worth \$250,000 which is the stock held at Hilliard Lyons. Sentinel, reiterates its request to be allowed to liquidate that stock.

Namor is the subject of continuing litigation against Sentinel. The deficit from this account totals approximately \$2,124,298.47 to date. The case is set for trial August 2, 2004. Miller & Martin will not be able to represent Sentinel in defending this case since we formerly acted as local counsel for one of the plaintiffs. As a result of the circumstances out of which this case arose, there is approximately \$2,075,000 being held by the SEC as criminal retribution funds for injured parties. Sentinel may be entitled to a portion of these funds. National Commerce Bank was also involved with this, and as I understand it either NCB or their insurance company has already paid off most, if not all, of the bondholders. Formerly, counsel's strategy was to slow walk proceedings to have these funds distributed under the theory that Sentinel's chances of collecting more money were greater if it turned out to be "the last party standing". Action has now been taken to commence the process to have these funds distributed, but it may be a year or more before the funds are actually distributed. In addition, Sentinel has certain counterclaims against other parties involved that may bear fruit with the litigation. Hopefully within a year's time, we will have a better idea as to how much of the funds Sentinel may expect to ultimately receive.

We do not yet have a good handle on what is included in these deficit amounts and what parties might stand to be hurt other than Sentinel if the full amounts are not recoverable.

III. Financing the Real Property Owned by Sentinel.

Sentinel owns two pieces of property outright, a condominium office suite in Bellevue and the headquarters building in Hohenwald. These properties are carried on Sentinel's books at

an aggregate total of \$1,267,872. It is believed that the properties are worth more than this, and by mortgaging them, Sentinel could improve its cash position.